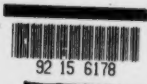

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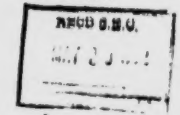
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549



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FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the Quarter Ended
March 31, 1992

Commission File No 0-17429

DRIVEFONE, INC.
(Exact name of Registrant as specified in its Charter)

Delaware
(State of Incorporation)

13-3417465
(IRS Employer Identification No.)

PROCESSED BY
MAY 22
Microfilmed by
Q-Data Corp. - St. Petersburg, FL

37 Spring Valley Avenue, Paramus, N.J.
(Address of principal executive office)

07653-0588
(Zip Code)

Registrant's telephone number, including area code: (201) 843-6400 Ext. 206

Former name, former address and former fiscal year, if changed since last report: Not Applicable

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for a shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No___

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AVAILABLE

As of May 11, 1992 there were 1,918,931 shares of Common Stock, $.0005 par value outstanding.

PART I-FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

DRIVEFONE, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 1992 (Unaudited)	June 30, 1991
ASSETS		
Current Assets		
Cash	$ 623,000	$ 347,000
Accounts receivable, net	1,185,000	878,000
Inventories	578,000	595,000
Prepaid expenses and other current assets	78,000	100,000
Total Current Assets	2,462,000	1,920,000
Deferred subscriber acquisition costs, net	813,000	510,000
Equipment and leasehold improvements, net	252,000	272,000
Other non-current assets	33,000	40,000
TOTAL ASSETS	$3,560,000	$2,742,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$273,000	$ 582,000
Accrued expenses	151,000	168,000
Commissions payable	382,000	405,000
Current maturities - long-term debt and capitalized lease obligations	581,000	244,000
Total Current Liabilities	1,387,000	1,399,000
Long-term debt and capitalized lease obligations, less current maturities	701,000	1,236,000
TOTAL LIABILITIES	2,088,000	2,635,000
SHAREHOLDERS' EQUITY		
Preferred stock	*	*
Common Stock	1,000	1,000
Paid-in-capital	2,683,000	1,713,000
Accumulated deficit	(1,212,000)	(1,607,000)
TOTAL SHAREHOLDERS' EQUITY	1,472,000	107,000
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$3,560,000	$2,742,000

* Amount less than $1,000

See Notes to the Condensed Consolidated Financial Statements

DRIVEFONE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	1992	1991 (Restated)	1992	1991 (Restated)
REVENUE				
Equipment sales and other revenue	$ 954,000	$ 976,000	$3,316,000	$4,920,000
Cellular commissions and fees	1,292,000	888,000	3,890,000	2,715,000
Gain upon the sale of future subscriber annuities			266,000	
TOTAL REVENUE	2,246,000	1,864,000	7,472,000	7,635,000
COSTS AND EXPENSES				
Cost of equipment sold	911,000	926,000	3,064,000	4,476,000
Cost of cellular activations	692,000	422,000	2,030,000	1,401,000
Selling, general and administrative expenses	632,000	572,000	1,811,000	1,866,000
Interest expense	26,000	32,000	88,000	99,000
TOTAL COSTS AND EXPENSES	2,261,000	1,952,000	6,993,000	7,842,000
INCOME (LOSS) FROM OPERATIONS BEFORE EQUITY IN NET LOSS OF JOINT VENTURE AND THE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(15,000)	(88,000)	479,000	(207,000)
Equity in net loss of joint venture	(32,000)	(20,000)	(84,000)	(35,000)
Cumulative effect on prior years of change in accounting principle				352,000
NET INCOME (LOSS)	$(47,000)	$(108,000)	$395,000	$110,000
INCOME (LOSS) PER COMMON SHARE AND DILUTIVE EQUIVALENTS:				
Income (Loss) from operations before equity in net loss of joint venture and the cumulative effect of change in accounting principle	$(.01)	$(.05)	$.22	$(.12)
Equity in net loss of joint venture	(.01)	(.01)	(.04)	(.02)
Cumulative effect on prior years of change in accounting principle				.21
Net Income (Loss)	$(.02)	$(.06)	$.18	$.07
Weighted average number of shares and dilutive equivalents outstanding used in computing per share data	2,619,986	1,651,576	2,229,003	1,649,736

See Notes to the Condensed Consolidated Financial Statements

DRIVEFONE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW (Unaudited)

	Nine Months Ended March 31, 1992	1991 (Restated)
OPERATING ACTIVITIES		
Net income	$395,000	$ 110,000
Adjustments to reconcile net income to net cash flows from operating activities:		
Cumulative effect on prior years of change in accounting principle		(352,000)
Depreciation and amortization	58,000	65,000
Gain from the sale of future subscriber annuities	(266,000)	
Amortization of deferred subscriber acquisition costs	226,000	172,000
Equity in loss of joint venture	84,000	35,000
Changes in operating assets and liabilities:		
Accounts receivable	(307,000)	282,000
Inventories	19,000	225,000
Prepaid expenses and other current assets	22,000	(35,000)
Deferred subscriber acquisition costs	(588,000)	(267,000)
Other non-current assets	7,000	3,000
Accounts payable, accrued expenses and commissions payable	(327,000)	(302,000)
NET CASH FLOWS FROM OPERATING ACTIVITIES	(677,000)	(64,000)
INVESTING ACTIVITIES		
Proceeds from the sale of future subscriber annuities	325,000	-
Purchases of equipment and leasehold improvements	(38,000)	(23,000)
NET CASH FLOWS FROM INVESTING ACTIVITIES	287,000	(23,000)
FINANCING ACTIVITIES		
Net proceeds from sale and exercise of warrants	970,000	-
Principal payments on long-term debt and capital lease obligations	(220,000)	(143,000)
Investment in joint venture	(84,000)	(35,000)
NET CASH FLOWS FROM FINANCING ACTIVITIES	666,000	(178,000)
NET CHANGE IN CASH	276,000	(265,000)
CASH AT BEGINNING OF PERIOD	347,000	484,000
CASH AT END OF PERIOD	$623,000	$ 219,000

See Notes to the Condensed Consolidated Financial Statements

DRIVEFONE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW---Continued

	Nine Months Ended March 31,	
	1992	1991
Supplemental schedule of non-cash investing and financing activities		
Equipment acquired under: Capital leases	-	$ 53,000
Common Stock issued in settlement of accounts payable	-	$ 10,000
Forgiveness of debt by majority shareholder	-	$ 38,000
Debt issued in exchange for accounts payable	-	$251,000

See Notes to the Condensed Consolidated Financial Statements

DRIVEFONE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Unaudited)
Nine months Ended March 31, 1992

	Number of Common Shares	Amount	Number of Preferred Shares	Amount	Paid in Capital	Accumulated Deficit	Total Shareholders' Equity
Balance, July 1, 1991	1,052,376	$1,000	6,250	$ *	$1,713,000	$(1,807,000)	$107,000
Cancellation of stock	(378,749)	*					
Sale and exercise of warrants	415,000	*			970,000		970,000
Net income						395,000	395,000
Balance, March 31, 1992	1,090,627	$1,000	6,250	$ *	$2,683,000	$(1,212,000)	$1,472,000

*Amount less than $1,000.

See Notes to Condensed Consolidated Financial Statements

DRIVEFONE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Basis of Presentation

The balance sheet at the end of the preceding fiscal year has been derived from the audited balance sheet contained in the Company's Form 10-K and is presented for comparative purposes. All other financial statements are unaudited. In the opinion of management, all adjustments which include only normal recurring adjustments necessary to present fairly the financial position, results of operations, changes in shareholders' equity and cash flows for all periods presented have been made. The results of operations for interim periods are not necessarily indicative of the operating results for the full year.

Footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted in accordance with the published rules and regulations of the Securities and Exchange Commission. These financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Form 10-K for the most recent fiscal year.

Change In Method For Accounting For Cellular Subscriber Acquisition Cost

The effect of the change made in fiscal 1991 was to increase by approximately $95,000 the previously reported net income in the nine months ended March 31, 1991 and decrease the net loss by $25,000 for the three months then ended. The cumulative adjustment of $352,000 (or $.21 per share) to apply retroactively the new method is included in determining net income in fiscal 1991.

Income Taxes

The Company adopted the provisions of Statement of Financial Accounting Standards No. 96 as of July 1, 1991 which, among other things, requires the benefit of net operating loss carryovers, when realized, to be reported as a reduction of the income tax provision. Accordingly, income taxes of $134,000 for the nine months ended March 31, 1992 which would otherwise have been provided were eliminated. There is no cumulative effect adjustment as of July 1, 1991, as losses were incurred in prior years.

Long-term Debt

In October 1991, the Company entered a new agreement with its bank curing technical defaults under its bank loan agreement and, in exchange for a payment of $75,000, rescheduled payment of the remaining $350,000 balance of the renewable line of credit. Under the terms of the revised agreements, the renewable line of credit is payable in monthly installments of $3,000 per month commencing July 1992 with the remaining balance due January 1, 1993.

In October 1991, the Company renegotiated the repayment terms of a $350,000 note payable by a subsidiary of the Company to a cellular carrier and obtained a release of the Company

from its guarantee of this note. Under the terms of the revised note agreement, the note is repayable in 24 equal monthly payments commencing January 1, 1993.

Sale of Annuity Rights

In October 1991, the Company sold for $325,000, its rights to receive annuity payments in future years on approximately 30% of its subscriber base to the Cellular Telephone Company ("CTC"), the cellular carrier obligated to make such payments. Previously deferred subscriber acquisition costs related to the subscriber annuity rights sold of $59,000 have been charged against the proceeds received.

Shareholders' Equity

On November 18, 1991, the Board of Directors declared a one-for-five reverse split of the Company's common stock effective January 22, 1992. All agreements concerning stock options were amended to provide for the change. All references to numbers of shares and to per share information in the condensed consolidated financial statements have been adjusted to reflect the reverse stock split on a retroactive basis.

On November 18, 1991 the majority stockholders, upon a written consent, approved a change in the authorized shares of common stock to 7,500,000 shares par value $.0005.

Under the terms of the agreement entered into in 1988 wherein the Company acquired Drive Phone, Inc., 376,747 of the shares issued in connection with the acquisition were placed in escrow pursuant to the terms and conditions of an escrow agreement. The escrowed shares were owned and voted by the registered owners thereof. As a result of the failure of the Company to meet certain performance levels during the three years ending November 30, 1991 the escrowed stock was cancelled effective December 2, 1991. Assuming the escrowed stock had never been issued, net loss per share for the three months ended March 31, 1992 and 1991 would have been $.02 and $.09 respectively and net income for the nine months ended March 31, 1992 and 1991 $.21 and $.09 respectively.

On December 10, 1991 the Company sold 700,000 warrants expiring March 15, 1992, to purchase a like number of shares of common stock to several private investors, coupled with an agreement to register the shares issuable upon the exercise of the warrants under the Securities Act of 1933. Subsequently, 600,000 of the warrants were extended until April 6, 1992, and were exercised. In addition, 100,000 warrants were extended until June 15, 1992 and remain outstanding. In connection with these transactions, the Company issued a warrant to a finder to purchase 250,000 shares of common stock at a price of $1.00 per share which warrant remains outstanding and expires on November 30, 1993. However, the Company is negotiating certain conditions to the exercise of the warrants.

On December 26, 1991 the Company issued a warrant expiring on November 30, 1996 to a financial public relations firm to purchase 100,000 shares of Common Stock at a price of $4.375. This warrant was cancelled on March 27, 1992.

The issuance of the above warrants resulted in a "substantial change in ownership" as defined in the Internal Revenue Code of 1986, which limits the Company's use of net operating loss carryforwards. During the three year period following such a change the utilization of tax loss carryforwards is limited to the value of the Company, on the date of such change, multiplied by the Federal long-term tax exempt rate (the "annual limitation"). To the extent amounts available under

the annual limitation are not used, they may be carried forward for the remainder of 15 years from the date the losses were originally incurred.

As a result of the above changes in common stock and warrants, use of net operating losses will be limited to approximately $400,000 per year.

Subsequent Events

Subsequent to March 31, 1991 the Company received $463,000 in gross proceeds from the exercise of warrants by private investors.

On May 1, 1992 the Company entered into a two year consulting and warrant agreement with a new financial public relations firm. The agreement provides among other things that the financial public relations firm receive each year a warrant to acquire 30,000 shares of Common Stock at a price of $4.25 per share. The agreement is terminable by the Company after one year.

The Company has been advised by CTC that it intends, effective April 1, 1992, to reduce the activation fee it pays the Company and the Company has advised CTC that it believes that for this, and other reasons, it is in violation of the agent agreement between the parties. The Company and CTC are attempting to resolve their differences through negotiation. If, however, the issues between the parties are not resolved upon terms satisfactory to the Company, in the opinion of the management of the Company, its future results of operations may be negatively impacted and will require the Company to consider what remedies under the agreement and law are necessary to protect its interests.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

The following table presents the percentage of total revenue for the periods indicated and changes from period to period of certain items included in the Company's Condensed Consolidated Statement of Operations.

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,		Period to Period Percentage Changes	
					For the Three Months Ended March 31,	For the Nine Months Ended March 31,
	1992	1991	1992	1991	1992 vs. 1991	1992 vs. 1991
Equipment sales and other revenue	42.5%	52.4%	44.4%	64.4%	(2.3)	(32.8)
Cost of equipment sold	40.8	49.7	41.0	58.8	(1.8)	(31.6)
Gross profit - equipment sales and other revenues	1.9	2.7	3.4	5.8	(14.0)	(43.3)
Cellular commissions and fees and gain on the sale of subscriber annuities	57.5	47.8	55.8	35.8	45.5	53.1
Cellular dealer commissions	30.8	22.8	27.2	18.4	64.0	44.9
Gross profit-cellular commissions and fees	26.7	25.0	28.4	17.2	28.8	61.8
Total gross profit	28.6	27.7	31.8	23.0	24.6	35.3
General and administrative expenses	21.3	22.9	17.3	18.0	12.2	(5.5)
Selling expenses	6.8	7.8	8.9	6.4	5.5	4.2
Interest expense	1.3	1.7	1.2	1.3	(19.8)	(11.1)
Income (loss) from operations	(.7)%	(4.7)%	4.4%	(2.7)%	(83.0)	-
Net income (loss)	(2.1%)	(5.8)%	5.3%	1.4%	(58.5)	259.1

Three months ended March 31, 1992 vs. Three months ended March 31, 1991

For the three months ended March 31, 1992 total revenue increased approximately $382,000 (20%) as compared to the prior fiscal year period. Equipment sales declined by $114,000 during the period while other revenue, mostly paging service billings, increased by $92,000. Cellular commissions and fees, increased by $404,000.

The decline in aggregate sales of equipment (consisting of sales in connection with cellular activations and sales unrelated to cellular activations "stand alone equipment sales") during the quarter ended March 31, 1992 compared to the similar period in the prior year resulted mainly in the decline in stand alone equipment sales, especially of accessories. Sales of cellular telephones to local

dealers increased $79,000 while sales of stand alone telephones declined $64,000 and other equipment revenue declined $129,000.

The increase in revenue from cellular carriers resulted from both an increase in the number of activations and annuity revenue from a larger subscriber base. Approximately 3,500 cellular telephones were activated during the current period as compared to 2,300 in the prior year. The Company's major source of activation and annuity revenue results from its agent agreement with CTC, the non-wireline carrier in the metropolitan New York area. The Company believes that CTC has violated its agent agreement, for, among other reasons, proposing to lower without proper notice the activation fees it pays the Company. Failure by the Company to resolve its differences with CTC would have a negative impact on the Company's future results of operations.

The Company, in certain markets and subject to certain contractual agreements, receives commission revenues from cellular carriers based upon the airtime usage of cellular service subscribers activated through the Company. In October 1991, the Company sold its right to receive annuity payments on certain subscribers in future years. The initial effect of the sale was to reduce annuity payments however, since then, additional subscribers have been acquired and the Company's subscriber base at March 31, 1992 for which the Company receives ongoing annuity payments was 19,000, approximately 10% greater than its base at March 31, 1991. Annuity payments to the Company for the period equalled $143,000, an increase of 15% from the comparable period in the prior year.

In fiscal 1991, the Company started a pager reselling operation and at March 31, 1992 the Company had approximately 2,200 subscribers on its system resulting in the aforementioned increase in other revenue.

Gross profits for the three months ended March 31, 1992, increased by $127,000 to $643,000 from $516,000 in the prior fiscal year period. Gross profit from the sale of equipment and other revenue during the current year period aggregated $43,000, a decline of $7,000 from the prior year, while gross profit from cellular commission and fees increased $134,000 to $600,000.

After giving effect to the Company's change in its method of accounting for subscriber acquisition costs in fiscal 1991, the gross profit on cellular commissions and fees on a percentage basis of related revenue in the current period approximated 46% versus 52% reported in the prior year period. The decline results from continued competitive pressure in the markets the Company services, especially the New York metropolitan area, including from CTC.

Selling, general and administrative expenses for the three month period ended March 31, 1992 were $632,000, a $60,000 increase from the similar period in the prior year. This resulted mainly from increases in all categories of general and administrative expenses including compensation and employee costs.

Interest expense of $26,000 in the current three month period was 19% lower than in the prior year as a result of the Company's repayment of debt and the effect of the decline in the prime interest rate.

For the three months ended March 31, 1992 the Company had a loss from operations of $15,000 a $73,000 decline from the loss reported in the prior year three month period. This improvement resulted from the previously discussed increase in gross profit.

Net loss for the three months ended March 31, 1992 was $47,000 a $61,000 decline from the comparable period in fiscal 1991. Included in fiscal 1992 reported results is the Company's $32,000 share of the losses from its joint venture with Otron Corporation discussed below.

Nine Months ended March 31, 1992 vs. Nine Months ended March 31, 1991

For the nine months ended March 31, 1992 total revenue declined approximately $163,000 (2%) as compared to the prior fiscal year period. Equipment sales decline of $1,942,000 was substantially offset by increases in cellular activation fees and annuity revenue as well as revenue from the sale of future subscriber annuity rights and paging revenue.

With respect to revenue from cellular equipment sales, declines were experienced in all facets of the Company's operations. The major portion of the decline resulted from the fact that included in fiscal 1991's revenue were approximately $850,000 realized from the sale of inventory of a manufacturer exiting the industry as well as an approximately $500,000 decline in the sale of antennas and accessories. Also contributing to the decline was management's decision to dedicate more of its working capital towards obtaining cellular activations versus stand alone equipment sales.

In fiscal 1991, the Company started a pager reselling operation and at March 31, 1992 the Company had approximately 2,200 subscribers on its system resulting in the increase in other revenue. Revenue from the Company's paging operations for the nine months ended March 31, 1992 aggregated approximately $400,000 compared to $68,000 in the comparable prior year period.

Revenue from cellular carriers, for which the Company is an agent, increased, although in the first six months of the fiscal year it was negatively impacted by the Company's lack of an adequate supply of cellular telephones for local dealers. The increase resulted from both an increase in the number of activations and annuity revenue from a larger subscriber base. The Company's level of activations in the current period was the highest in its history with approximately 11,000 cellular telephones activated during the current period as compared to 7,300 in the prior year.

The Company, in certain markets and subject to certain contractual agreements, receives commission revenues from cellular carriers based upon the airtime usage of cellular service subscribers activated through the Company. Annuity payments to the Company for the period equalled $449,000 an increase of 16% from the comparable period in the prior year.

Gross profits for the nine months ended March 31, 1992 increased by $620,000 to $2,378,000 from $1,758,000 in the prior fiscal year period. Gross profit from the sale of equipment and other revenue during the current year period aggregated $252,000, a decline of $192,000 from the prior year, while gross profit from cellular commission and fees increased $546,000 to $1,860,000 plus the $266,000 gain of the sale of future subscriber annuity revenue in October 1991. The improvement in gross profits is also partially attributable to various activation incentive programs offered occasionally by CTC.

After giving effect to the Company's change in its method of accounting for subscriber acquisition costs in fiscal 1991, the gross profit on cellular commissions and fees on a percentage basis of related revenue in the current period was relatively constant when compared to the similar period in the prior year.

Selling, general and administrative expenses for the nine month period ended March 31, 1992 were $1,811,000, a $55,000 decline from the similar period in the prior year. The decline occurred as a result of the Company's continuing efforts to control general and administrative expenses while expanding its level of operations.

Interest expense of $88,000 in the current nine month period was 11% lower than in the prior year as a result of the Company's scheduled repayment of debt and the effect of the decline in the prime interest rate.

For the nine months ended March 31, 1992, the Company had income from operations of $479,000 compared to a loss of $207,000 in the prior year nine month period. This improvement resulted from the aforementioned increase in gross profits realized on cellular commissions and fees and the gain upon the sale of future subscriber annuities.

Net income for the nine months ended March 31, 1992 was $395,000 a $285,000 increase from the comparable period in fiscal 1991. Included in fiscal 1991 results however, was the $352,000 cumulative effect on prior years of the Company's change in its method of recording subscriber acquisition costs. Also, included in fiscal 1992 reported results is the Company's $84,000 share of the losses from its joint venture versus a $35,000 loss in the prior year and the $266,000 gain from the sale of future subscriber annuities. The increase in the loss from the joint venture results from the expenses being incurred in connection with establishing the venture's product line and also legal and other professional fees being incurred in connection with the development of the ventures analog cellular phone scheduled for delivery late in calendar 1992.

Liquidity and Capital Resources

During the two years ended June 30, 1991 the Company financed its working capital requirements through a substantial increase of vendor credit and the conversion of a substantial portion of vendor credit to equity and long-term debt. Subsequently the Company experienced product shortages from major suppliers because of its failure to comply with their credit terms. However, as a result of the exercises of warrants during and subsequent to the quarter ended March 31, 1992 the Company has sufficient working capital to purchase product.

On September 21, 1990 the Company entered into a joint venture agreement with Otron Corporation, a Korean manufacturer of electronic products. Pursuant to the joint venture agreement, the Company may make capital contributions of up to $1 million. However, contributions in excess of $100,000 are not required until both the Company and Otron are satisfied that the mobile communications products developed do not infringe on existing patents. As a practical matter, neither party presently will commit resources in excess of $200,000 each until they are satisfied that the mobile communication products have commercial merit. To date the Company has contributed approximately $150,000 to the joint venture and Otron has contributed approximately $125,000. The Company has advised its joint venture partner that the partner may have to advance the required funds on behalf of the Company and the joint venture partner has expressed a willingness to do so. In connection with the importation of the first product being distributed by the joint venture commencing December 1991, the joint venture has arranged for the financing of the purchase of the product with Hyosung (America), Inc., an affiliate of Otron.

In October 1991, the Company renegotiated a $350,000 note payable to CTC rescheduling the repayment from 12 monthly principal payments originally scheduled to commence in May 1991, to 24 monthly principal payments commencing January 1993. In addition, the Company sold for $325,000 its rights to receive annuity payment in future years on approximately 30% of its subscriber base to the cellular carrier obligated to make such payment. Concurrently, the Company renegotiated its bank loans, which were in technical default. Under the terms of the Company's new agreement with its bank, the technical defaults with respect to a $425,000 renewable line of credit have been cured in exchange for a principal payment of $75,000 and a one half percent increase in the interest rate to prime plus 2%. Payment of the remaining balance has been extended. These transactions are anticipated to positively impact cash flow until 1994 and may have a negative effect thereafter.

On December 10, 1991 the Company sold warrants to purchase an aggregate of 700,000 shares of its common stock to several private investors, coupled with an agreement to register the shares issuable upon the exercise of the warrants under the Securities Act of 1933. Through April 6, 1992, warrants for 600,000 shares were exercised and the warrant for the remaining 100,000 shares now expires on June 15, 1992. In connection with this transaction the Company issued a warrant to a finder to purchase 250,000 shares of common stock at a price of $1.00 per share which warrant expires on November 30, 1993. However, the Company is negotiating certain conditions to the exercise of the warrant. Of the gross proceeds of $1.5 million received, approximately $500,000 was invested in the Company's cellular agent business and the remaining balance is available for other corporate purposes.

PART II-OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On January 22, 1992, by written consent of a majority of the Company's shareholders without a meeting, action was taken to:

(1) Amend the Company's certificate of incorporation to effect a one-for-five reverse common stock split, increase the par value of shares of common stock to $.0005 and increase the number of authorized shares of common stock from 3,800,000 to 7,500,000;

(2) adopt the Company's 1991 Director Stock Option Plan: and

(3) adopt an amendment to the Company's Non-Qualified Stock Option Plan to increase the number of shares which may be subject to options which may be granted under the plan from 40,000 to 340,000.

Each of the foregoing was approved by the holders of 971,957 shares of the Company's common stock, constituting 58% of such stock outstanding on November 18, 1991, the record date. All of such holders were members of the Company's board of directors. No proxies or consents were solicited from other holders of common stock.

ITEM 5. OTHER MATTERS

From the beginning of 1992 through April 9, 1992, the Company has received $1,500,000 of gross proceeds upon the exercise of warrants by private investors.

The Company has been advised by the Cellular Telephone Company ("CTC") that it intends, effective April 1, 1992, to reduce the activation fee it pays the Company and the Company has advised CTC that it believes that for this, and other reasons, it is in violation of the agent agreement between the parties. The Company and CTC are attempting to resolve their differences by negotiation.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

None

(b) Reports on Form 8-K

(1) On March 3, 1992, the Company filed a Current Report on Form 8-K reporting the sale of 700,000 warrants to private investors including a pro forma balance sheet reflecting the exercise of 200,000 of the warrants.

(2) On March 18, 1992, the Company filed a Current Report on Form 8-K reporting the extension of the expiration date of the aforementioned warrants.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Drivefone, Inc.

DATE: May 19, 1992

By: _____
Michael A. Pfeffer
President (Chief Executive Officer)

DATE: May 19, 1992

By: _____
Lee R. Montellaro
Executive Vice President
(Chief Financial Officer)